"TO PROVIDE FOR THE GENERAL WELFARE..."

THE CONDITIONS LEADING TO THE PASSAGE OF THE SOCIAL SECURITY ACT AND THE PROBLEMS THE ACT IS DESIGNED TO ALLEVIATE

On August 14, 1935, the Social Security Act was enacted ... "To provide for the general welfare by establishing a system of federal old-age benefits and by enabling the several states to make more adequate provision..."

The real significance of this Act is that it was the country's first major federal government program to deal directly with the economic security of its citizens. Before then, such matters were handled by states and private sources. Federal action became necessary because neither the states nor private charities had the financial resources to cope with the growing need among the people.

Let's examine some of those major social, economic, and philosophical developments which led, directly or indirectly, to the present American social insurance system.

FROM INDEPENDENCE TO INTERDEPENDENCE

The Social Security Act is an attempt by government to meet some of the serious problems of economic insecurity arising in an industrial society.

Up to 1870, more than half the nation's adult workers were farmers. In the years that followed, however, industry developed rapidly and the economy tended increasingly to be characterized by industrialization, specialization, and urbanization. The result was a nation of more employees working for wages and proportionately fewer independent farmers, artisans, and tradesmen engaged in family enterprises.

In an industrialized society, workers found themselves dependent on outside forces to provide their families with the necessities of life, forces over which they had little influence. Any misfortune that interrupted their current income could mean destitution and poverty. The severe depression of the 1930's dramatized the fact that many American workers were almost universally dependent on factors beyond their individual control for their economic security.

THE SEARCH FOR NEW ANSWERS

Previous methods used to meet the economic risks of unemployment, old-age, death, and disability no longer proved adequate or guaranteed security in the face of nationwide economic disaster. A number of schemes were proposed, most notably that of Dr. Francis E. Townsend, a Long Beach, Calif., physician, who advocated a program of giving people over age 60 $200 a month on the condition they quit working and spend each month's pension within 30 days. Millions of frustrated older people rallied in support of Townsend's plan and, though it was dismissed, political leaders took careful note of the support it had received.

"TO PROVIDE FOR THE GENERAL WELFARE..."

Beginning in 1932, the federal government took a number of emergency steps to meet the economic hardships of the depression. These included loans, then grants to states to pay for direct relief and work relief. Then, special federal emergency relief and public works programs were started. However, it became clear that these measures were not inducing the kind of economic recovery required.

In 1934, President Roosevelt appointed a special committee composed of Cabinet members and Cabinet-level advisers to study the long-term problems highlighted by the Depression. The Committee on Economic Security favored a social insurance approach to the problems. Such programs had started in Europe in Germany in 1848 under Kaiser Wilhelm, who established a contributory old-age pension system requiring wage earners and their employers to contribute to a fund for the aged. By 1930, 11 European countries had compulsory unemployment insurance laws. In this country, workers compensation programs operated by the states since 1911 represented its sole experience with social insurance programs.

SOCIAL SECURITY LEGISLATION

In 1935, President Franklin D. Roosevelt proposed to Congress long-range economic security legislation embodying the recommendations of the Committee on Economic Security. There followed the passage of the Social Security Act, signed into law on August 14, 1935. This law established two social insurance programs on a national scale to help meet the risks of old age and unemployment: a federal system of old-age benefits for retired workers who had been employed in industry and commerce; a federal-state system of unemployment insurance.

The choice of old-age and unemployment as the risks to be covered by social insurance was a natural development, since the depression had wiped out much of the lifetime savings of the aged and had reduced opportunities for gainful employment.

The law also provided for federal grants-in-aid to the states to help them give financial assistance to three groups of needy persons—the aged, the blind, and dependent children. It established other federal grants to enable states to extend and strengthen maternal and child health services, services for crippled children, and child welfare services.

FACTSHEET

SOCIAL SECURITY: FROM THE DEPRESSION TO TODAY

THE MAJOR CHANGES RESULTING IN TODAY'S SOCIAL SECURITY PROGRAM

Let's take a look at the very basic but most important elements of Social Security, when they occurred, and the problems they were designed to resolve.

1935	RETIREMENT BENEFITS Protection against the loss of income due to retirement in old-age. Benefit was for worker only. Designed to replace a part, not all, of the wages lost due to inability to work because of old age. Covered only limited number of workers in commerce and industry.
1939	SURVIVORS AND DEPENDENTS BENEFITS Recognized that dependents also lose income when worker retires or dies.
1940	FIRST MONTHLY BENEFITS PAID
1950's	COVERAGE EXPANDED Coverage expanded rapidly during the 1950's from limited number of jobs in commerce and industry to include most jobs in the economy. Today nine out of 10 jobs are covered.
1956	DISABILITY BENEFITS Recognized risk of "premature retirement" because of disability. State and private provisions for disabled inadequate.
1965	MEDICARE Federal health insurance to provide protection against cost of health care in old age. In 1972, extended to people under 65 receiving Social Security disability benefits for 24 months, and to people with permanent kidney failure. Two parts—Part A for hospital bills and Part B for doctor bills and other bills not paid by hospital coverage.
1972	BENEFIT FORMULA INDEXED TO COST-OF-LIVING To help benefits resist inflation.
1972	SUPPLEMENTAL SECURITY INCOME (SSI) In 1972, the law was changed to transfer state public assistance programs under the Social Security Act for the aged, blind and disabled to the federal level, administered by the Social Security Administration. A new program was created—"Supplemental Security Income" or SSI. SSI payments provide a nationwide, uniform floor of income protection for aged, blind, and disabled persons. The program makes monthly cash payments to people in these categories with limited income and resources. The states supplement the federal payment based on regional standards of need. SSI is financed from the federal general revenues, not from Social Security taxes.
1983	STRENGTHENED FINANCING OF SOCIAL SECURITY Legislation implementing the recommendations of a bipartisan Social Security Commission provided for sufficient income into the program for the foreseeable future.